

## Message Text

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44

ORIGIN COME-00

INFO OCT-01 EA-07 ISO-00 EB-07 /015 R

DRAFTED BY COM/BIC/OED/MEPD/WHAIMES/CF  
APPROVED BY EB/CSB/OCA/CD:EMFEAT ERSTONE  
COM/BIC/OED/MEPD/SMCONGER  
COM/BIC/OED/MEPD/JMSANDS, DIR.  
COM/BIC/OIM (INFO)  
EA/EP:MHENDERSON  
EA/J:DSMITH

----- 106222

R 120101Z MAR 76  
FM SECSTATE WASHDC  
TO AMEMBASSY SINGAPORE  
AMCONSUL OSAKA KOBE  
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 059992

E.O. 11652: GDS

TAGS: BENC, SN, JA

SUBJECT: SINGAPORE PETROCHEMICAL COMPLEX

REF: A) SINGAPO0E 0974, B) SINGAPORE A-153 (NOTAL)

1. UPON RECEIPT REF A, COMMERCE/MEPD DISCUSSED  
SINGAPORE PETROCHEMICAL PROJECT WITH GEORGE ALLEN,  
VICE PRESIDENT OF INTERNATIONAL SALES FOR STONE AND  
WEBSTER, WHO HAS OVERALL RESPONSIBILITY PROJECT.  
ALLEN HAD SPOKEN RECENTLY WITH PRESIDENT OF SUMITOMO  
AND IS CONVINCED THAT SUMITOMO IS COMPLETELY COMMITTED  
TO PROJECT AND IS NOT AT ALL LOOKING FOR WAY OUT OF  
COMMITMENTS TO GOS. THE PRIMARY PROBLEM AT THIS POINT  
IS SHELL PARTICIPATION IN DOWNSTREAM ETHYLENE GLYCOL  
AND ETHYLENE OXIDE FACILITIES. ALLEN INTERPRETED MOVE  
TO BRING IN OTHER JAPANESE OPERATORS AS EITHER ATTEMPT  
TO FIND SUBSTITUTE FOR SHELL PARTICIPATION OR AS MEANS  
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TO FORCE SHELL INTO COMING TO SUBSTANTIVE AGREEMENT

WITH GOS/SUMITOMO.

2. ALLEN DID APPEAR SOMEWHAT SURPRISED AT RATHER  
VISIBLE JAPANESE ACTIVITY, SINCE HE FELT THAT SUMITOMO  
WAS PARTICULARLY SENSITIVE TO ANTI-JAPANESE SENTIMENTS

IN SOUTHEAST ASIA AND HAS ATTEMPTED TO MAINTAIN  
AS LOW A PROFILE AS POSSIBLE WITH RESPECT TO SINGAPORE  
PROJECT. HOWEVER, NEGOTIATIONS WITH SHELL, BOTH ON  
THE PRICE OF NAPHTHA FEEDSTOCK WHICH SHELL IS TO SUPPLY  
AND ON THE TERMS OF PARTICIPATION IN THE DOWNSTREAM  
PLANTS, HAVE NOT PROGRESSED IN SEVERAL MONTHS. ACCORD-  
ING TO ALLEN BOTH SUMITOMO AND THE GOS ARE UNHAPPY  
WITH SHELL'S STALLING. NAPHTHA SUPPLY IS NOT CRUCIAL,  
SINCE OTHER REFINERIES IN SINGAPORE AREA ARE OPERATING  
FAR BELOW CAPACITY AND WOULD BE ANXIOUS TO SUPPLY  
FEEDSTOCKS. HOWEVER, ETHYLENE GLYCOL AND OXIDES ARE  
KEY TO FURTHER DOWNSTREAM FACILITIES, AND COMPLEX WILL  
NOT GO FORWARD UNTIL BUYER FOR ETHYLENE OFFTAKE IS  
ASSURED.

3. ACCORDING TO ALLEN, SUMITOMO IS ALREADY COMMITTED TO  
STONE AND WEBSTER AS PRIME CONTRACTOR AND PROJECT MANAGER  
FOR ENTIRE CORE UNIT. STONE AND WEBSTER IS CURRENTLY  
UNDERTAKING INITIAL ENGINEERING WORK AND WILL SHARE  
RESPONSIBILITY FOR CHOOSING SUB-CONTRACTORS FOR DETAILED  
DESIGN AND CONSTRUCTION OF CRACKER/ETHYLENE FACILITIES.  
WHILE THEY ARE CONSIDERING JAPAN GASOLINE, OTHER FIRMS  
INCLUDING HITACHI ARE STILL IN GOOD POSITION FOR  
CONTRACT. POSSIBILITY OF FURTHER U.S. PARTICIPATION  
DOES SEEM MINIMAL BECAUSE OF FINANCING AND OTHER  
FACTORS.

4. STONE AND WEBSTER IS GOING AHEAD WITH PLANS TO  
OPEN SINGAPORE OFFICE IN JULY WHICH WILL HANDLE THIS  
PROJECT AS WELL AS OTHER REGIONAL SALES AND ENGINEERING  
WORK.

5. ACTION REQUESTED: STONE AND WEBSTER IS CONCERNED  
REGARDING SHELL'S APPARENT COLD FEET AND WOULD  
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APPRECIATE ANY INFO POSTS CAN DEVELOP ON SHELL  
PARTICIPATION. ALSO, WE WOULD BE INTERESTED IN FURTHER  
ASSESSMENT OF FIRMNESS SUMITOMO COMMITMENT TO STONE AND  
WEBSTER, SINCE INFO CONTAINED REF A APPEARS TO CONFLICT  
WITH STONE AND WEBSTER'S UNDERSTANDING OF THEIR  
POSITION. KISSINGER

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NNN

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